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C O N F I D E N T I A L SECTION 01 OF 02 MOSCOW 002855

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SUBJECT: (C) CHEVRON CEO SAYS PUTIN "MISSED OPPORTUNITY" IN
SOCHI; BP HOLDING UP CPC

REF: MOSCOW 2183

Classified By: Ambassador John R. Beyrle for Reasons 1.4 (b/d)

SUMMARY

[11](#). (C) Chevron Chairman and CEO David O'Reilly told the Ambassador September 19 that Putin "missed an opportunity" to engage with and get input from the 10 international CEOs with whom he met in Sochi on September 18. He said he told Putin that rhetoric "from both sides" on derailing commercial and economic cooperation is unproductive. On CPC expansion (reftel), he told the Ambassador that BP, a minor shareholder (6.5%) with no oil to ship, is unnecessarily holding up an agreement. According to O'Reilly, Transneft president Tokarev is frustrated by BP's tactics and believes they are politically motivated. End summary.

PUTIN

[12](#). (C) Having just returned from a meeting hosted by Prime Minister Putin for various CEOs of major international companies in Sochi, O'Reilly told the Ambassador that the Russian Premier's message centered on Russia being "open for business." He added, however, that Putin did not request, nor did he receive, any honest input on how to improve Russia's investment climate. The only other attendee representing a U.S. company was ConocoPhillips' CEO James Mulva.

[13](#). (C) According to O'Reilly, most attendees "were fawning," and nobody was willing to raise any controversial issues. O'Reilly said he himself did share the observations of others in the U.S. business community who perceive Russia as a country in which it very difficult to do business. He also raised with Putin his belief that post-Georgia rhetoric from the U.S., the EU, and from Russia questioning future commercial and economic cooperation is unproductive -- "broken china that has to be picked up later."

[14](#). (C) O'Reilly said he could see that Putin had supplemented his typed speech with "copious hand-written notes," and that Putin displayed great command of detail regarding most matters, but especially about various regional oil and gas pipeline projects. He said Putin "looked fit, was well-prepared, and in good spirits." He added that Putin "was gracious and did not lecture," while, unsurprisingly, focusing on how he had brought Russia to where it is today

from the economic chaos of the nineties.

CPC AND BAP

15. (C) On CPC, O'Reilly told the Ambassador that BP is holding up a new MOU (reftel) that would move long-planned expansion forward. Chevron's regional VP (and former Chevron Russia president), Ian MacDonald, explained that BP, with just 6.5% of CPC shares and no oil to ship, is, in effect, holding the entire project hostage while it negotiates side deals to "restructure its relationships" with Lukoil and KazMunaiGaz. MacDonald said he was concerned that if the MOU is not completed by the end of the year, expansion "would unravel." He said BP CEO Tony Hayward is scheduled to meet with Deputy Premier Igor Sechin soon to discuss this issue among others.

16. (C) O'Reilly said Transneft President Nikolai Tokarev had expressed great frustration over BP's tactics and believed them to be politically motivated. Transneft, O'Reilly said, really wants CPC expansion to go forward, primarily because of Russia's strategic desire to exercise transit control from growing Central Asian (Kazakhstani) production, but also because Russia's relationship with Kazakhstan is increasingly important on a number of fronts. O'Reilly said that Putin himself had made a commitment to Kazakhstan that a CPC expansion agreement would be complete by the end of the year.

17. (C) O'Reilly noted that Tokarev seemed to back off earlier demands that CPC expansion be directly linked to work on the

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proposed Burgas Alexandropoulis oil pipeline (BAP). MacDonald said Chevron strongly prefers the projects remain unconnected. However, Tokarev had also told them that BAP would be delayed due to "troubles with routes and permits."

JV WITH GAZPROMNEFT

18. (C) O'Reilly and MacDonald said Chevron's joint-venture with Gazpromneft has ended because the company drilled dry holes. They said Chevron would continue to seek other opportunities with Gazpromneft to build on the excellent trust and working relationships already developed.

COMMENT

19. (C) Putin's meeting with the CEOs is recognition of the importance of international business to Russia's future and of the need to repair the damage that has been done to investor confidence by the Georgia conflict and other GOR economic missteps. As to CPC expansion, BP's hold-up is frustrating, as Russia, after years of preventing expansion, finally seems committed to moving forward. End comment.
BEYRLE